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THE
GEORGE WASHINGTON UNIVERSITY
NAVY GRADUATE COMPTROLLERSHIP PROGRAM

COMPTROLLERSHIP AT A MARINE CORPS FIELD ACTIVITY

By
Frederick S. Wood
for
Doctor A. Rex Johnson
January 1955

PREFACE

Control over the planning for and the spending of the tremendous present-day defense appropriations must be recognized throughout the Marine Corps as a most important part of management or command. To explain the broad mechanics of estimating, administering, accounting for, and reporting on appropriated funds, without getting too involved with the technical details of any particular phase, shall be the objective of this paper.

Material used herein has been based upon readings from Navy and Marine Corps publications and other books and articles; guest speakers from the Navy Department appearing at the Navy Graduate Comptrollership Program, George Washington University; and personal visits to the Navy Department, Headquarters Marine Corps, and Marine Corps field activities.

The author has intended to cover a large area very briefly and generally. The thoughts expressed are his own and are not to be taken as having any official endorsement.

The reader will find a glossary of many of the terms used herein in the Appendix.

CHAPTER

There is a growing feeling that the time has come when the Government should take a more active part in the development of the country. It is not only the Government but also the people who are responsible for the progress of the country. The Government should take steps to improve the living conditions of the people and to provide them with the necessary facilities. The people should also take steps to improve their own living conditions and to provide for the needs of their families. The Government and the people should work together to achieve the progress of the country.

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CHAPTER I

INTRODUCTION

It might be well at the outset, in order to have a general understanding of comptrollership, to sketch a brief history of its development as regards the Marine Corps.

Prior to 1939 the size of the budget of the United States was small enough to be at least somewhat comprehensible to the Congress whose task it was to approve of the spending of public money. During the war years expenses grew to great proportions and under the budget estimating and accounting systems then in effect Congress could not expect its appropriations committees to understand the justifications in support of the vast sums of money requested for the military departments. It became necessary for Congress to place utmost faith in our military leaders and to trust them to request only the funds actually needed for the prosecution of the war. As a result of this faith the military departments after the formalities of review and approval received without argument the appropriations they asked from Congress.

The winning of World War II was a tremendously expensive venture calling for the appropriations of many billions of dollars. The country's debt skyrocketed from approximately forty-six billion dollars in 1939 to over two hundred and

seventy-eight billions in 1946. Quite naturally during these years economical use of funds was a secondary consideration to the winning of the war. The tremendous expansion of our military strength, the prosecution of global war for a period of four years, and the costly, rapid contraction of our forces brought into light many areas of ineffective and uneconomical management resulting in great waste of money and material.

It was apparent, therefore, not only to our civilian leaders but also to the military as well, that provision for the better management of the spending of these huge public funds was needed. In 1949, in line with this thinking, Congress amended the National Security Act of 1947. This amendment directed the establishment of the Office of Comptroller in the Department of Defense and in the Departments of Army, Navy and Air Force. In addition, the amendments of 1949 were aimed at establishing uniform fiscal and budgetary procedures and organization throughout the Defense Department, authorizing working-capital and management funds, requiring complete property recording and specifying the use of the performance-type budget. More will be written of the performance-type budget later in this chapter.

What, then, is the mission that Congress intended to have a comptroller's office perform? The Office of the Comptroller of the Navy, for example, has the task of promoting efficiency and economy throughout the Navy Department, formulating principles and policies, and prescribing procedures in four broad, yet interrelated areas. These are budgeting, fiscal

accounting, progress and statistical reporting, and auditing.

The Navy in turn has directed the establishment of similar offices within each of its bureaus. It was in July, 1953, that the Marine Corps set up a comptroller's office which is designated the Fiscal Division of Headquarters Marine Corps. This Division under the guidance of a general officer as Fiscal Director has basically the same mission on its own level as was cited above for the Office of the Comptroller of the Navy. Figure 1 on page 4 shows the organization of the Fiscal Division at Headquarters Marine Corps.

This Division as a staff service has a great many duties and responsibilities. Briefly stated some of the major responsibilities of the Fiscal Director and his staff are the following:

1. To act, subject to the plans and instructions of the Commandant, for the Commandant in all fiscal matters affecting the Marine Corps.
2. To have complete responsibility for the recording, reporting, and administering of all appropriated funds made available to the Marine Corps.
3. To issue guide lines and program objectives to field commands in order that they might have a sound basis for preparing their budget estimates.
4. To coordinate and consolidate the estimates received from the field with the various requirements and considerations of the Headquarters to arrive at the annual Marine Corps estimate of funds required.

Organization of the Fiscal Division Headquarters, U. S. Marine Corps*

FISCAL DIRECTOR

The Fiscal Director as the CMC's representative is responsible for the formulation of fiscal policy, and for fiscal administration to the end that fiscal action, policies and procedures of the Marine Corps will be in conformity with the law, good business practise, and the policies, procedures, and regulations of the Department of the Navy as applicable to the Marine Corps. Exercises technical supervision over fiscal activities in local staffs and field organization. Performs duties and functions of Budget Officer.

DEPUTY FISCAL DIRECTOR

As directed by the Fiscal Director, assists in all matters pertaining to the performance of the functions of the Fiscal Division and is responsible for internal administration within the Fiscal Division. Acts for the Fiscal Director in his absence.

BUDGET ADVISORY GROUP

Meets by direction of the CMC on call of the Fiscal Director. Group is comprised of G-1, G-3, G-4, QMG, DirRes, DirAdmin, DirPers, and DirAvn. Purpose is to provide counsel to the Fiscal Director on matters concerning their respective fields of responsibility as they relate to and affect the Marine Corps Budget.

BUDGET BRANCH

Formulates, prepares, submits, coordinates defense of Marine Corps Budget. Prepares and provides budget advice and guidance. Prepares administrative allocations.

ACCOUNTING BRANCH

Maintains ledgers. Prepares appropriation status and special reports. Prescribes accounting records and procedures.

AUDIT BRANCH

Developes internal audit principles and procedures. Approves of existing procedures and makes recommendations for improvements.

STATISTICAL SERVICES BRANCH

Collects, classifies and records data and reports. Prepares analyses of personnel and material programs.

5. To justify this estimate and revise it where necessary when reviewed before the Navy Department, Department of Defense, Bureau of the Budget (for the President), and Congress.

6. To develop and administer the Commandant's annual financial plan based upon the funds Congress has authorized and to make recommendations for the revision of this plan when conditions make changes appropriate.

7. To request the apportionment of funds and to supervise their allocation to individual field activities and projects.

8. To account for these funds by means of records maintained at Headquarters and reports received from the field.

These are not all but only the broad, general duties of the Fiscal Director. It should also be stated here that there is at Headquarters Marine Corps a Budget Advisory Group composed of leading staff officers. This Group assists the Fiscal Director in the performance of his duties by providing advice on matters concerning their respective fields of responsibility as related to the financial management of the Marine Corps (see Figure 1).

Earlier it was mentioned that the 1949 amendments to the National Security Act of 1947 directed the use of the performance-type budget. This requirement brought a new feature to the budget process by stating that estimates submitted to

Congress must show, in addition to the object-class breakdown of fund estimates, an anticipated cost of performance of readily identifiable functional programs. The old requirement of the object-class breakdown, where expenses for the entire Marine Corps were listed for sixteen general items such as Personnel Services, Travel, etc., was to be augmented. The new estimates were to detail to Congress the total cost of operating a given activity, such as Marine Corps School, Quantico, Virginia, or Marine Corps Recruit Depot, San Diego, California.

With this measure of the cost of operation of individual activities and programs, Congress was provided with a means of comparing their relative efficiencies and of determining if the costs were justified in the light of the overall benefit to be derived for the country's defenses.

It was not at all an easy task for the services to effect the required change for a great many reasons that are beyond the scope of this paper. To the present time, however, much progress has been made; budget estimates are now essentially of the performance-type.

The process of preparing these estimates is a long, tedious effort requiring the whole-hearted attention of many people working throughout the year. Figure 2 on page 7 portrays the steps necessary in the formulation of the budget from the call for estimates by the President down through the succeeding administrative levels to the field activities. These field estimates then work back up to the President and to Congress for

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BUDGET FORMULATION*

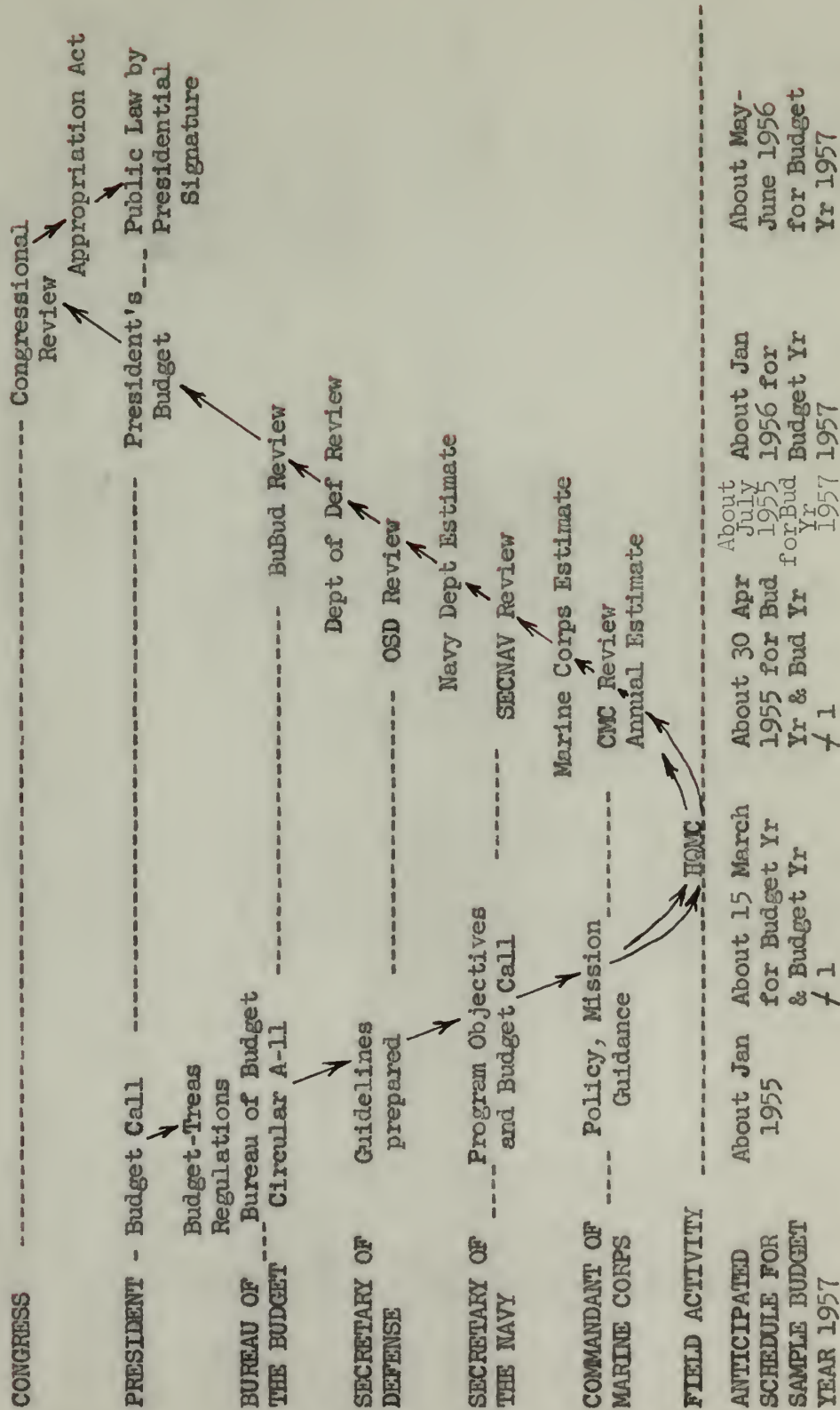


Figure 2

* SOURCE: FISCAL DIVISION, HEADQUARTERS MARINE CORPS



final review and the approval that results in the appropriation act. It will be noted that this is a lengthy process, taking place over an eighteen month period preceding the fiscal year for which the funds are being requested.

The fact that the field activities now have to submit, justify, and administer functional or performance-type budgets has made it necessary for them to develop competent fiscal organizations. For the most part the remainder of this paper will deal with the field activity fiscal organization and how it performs the comptrollership functions of budgeting, administering, and accounting for appropriated funds.

CHAPTER II

FISCAL ORGANIZATION AT THE FIELD ACTIVITY

The fiscal organization required at any given field activity quite logically is dependent upon the work-load to be met at that activity. Headquarters Marine Corps has not directed that an organization of any particular size or pattern be established but has indicated certain very broad fiscal responsibilities that must be realized. These are, of course, the direct responsibility of the commander. The major fiscal problems involve estimating well in advance the requirements for funds, submitting these estimates to higher authority, planning for the use of funds, and administering and accounting for the funds that have actually been allotted. At a small station it may be feasible for the commander himself to assume these responsibilities directly. On the other hand, at the larger commands there is certainly the need for a fiscal officer with a qualified staff and in many places a fiscal advisory committee.

The commander must realize that the authority he has to make these important fiscal plans and decisions results from his responsibility for the control of funds and that this responsibility cannot be delegated, in whole or in part, to others within the command. He must assure himself that his organization and procedures are so established that this control will be performed well. How well it is performed will be regarded as a large

THE CONSTITUTION OF THE STATE

The first question that arises in the mind of the student is, what is the meaning of the word 'constitution'? It is a word which is used in many different senses. In the first sense, it means the system of laws and institutions which govern a state. In the second sense, it means the system of laws and institutions which govern a particular branch of the state, such as the executive, the legislative, or the judicial. In the third sense, it means the system of laws and institutions which govern a particular part of the state, such as a county or a city. In the fourth sense, it means the system of laws and institutions which govern a particular person, such as a monarch or a president. In the fifth sense, it means the system of laws and institutions which govern a particular subject, such as the army or the navy. In the sixth sense, it means the system of laws and institutions which govern a particular industry, such as the textile or the agricultural. In the seventh sense, it means the system of laws and institutions which govern a particular profession, such as the law or the medicine. In the eighth sense, it means the system of laws and institutions which govern a particular religion, such as the Christianity or the Islam. In the ninth sense, it means the system of laws and institutions which govern a particular race, such as the white or the black. In the tenth sense, it means the system of laws and institutions which govern a particular sex, such as the male or the female. In the eleventh sense, it means the system of laws and institutions which govern a particular age, such as the young or the old. In the twelfth sense, it means the system of laws and institutions which govern a particular social class, such as the rich or the poor. In the thirteenth sense, it means the system of laws and institutions which govern a particular political party, such as the Conservative or the Liberal. In the fourteenth sense, it means the system of laws and institutions which govern a particular country, such as the United Kingdom or the United States. In the fifteenth sense, it means the system of laws and institutions which govern a particular world, such as the Christian or the Muslim. In the sixteenth sense, it means the system of laws and institutions which govern a particular universe, such as the physical or the spiritual. In the seventeenth sense, it means the system of laws and institutions which govern a particular existence, such as the human or the divine. In the eighteenth sense, it means the system of laws and institutions which govern a particular reality, such as the material or the ideal. In the nineteenth sense, it means the system of laws and institutions which govern a particular truth, such as the scientific or the religious. In the twentieth sense, it means the system of laws and institutions which govern a particular good, such as the moral or the aesthetic. In the twenty-first sense, it means the system of laws and institutions which govern a particular evil, such as the immoral or the ugly. In the twenty-second sense, it means the system of laws and institutions which govern a particular beauty, such as the natural or the artificial. In the twenty-third sense, it means the system of laws and institutions which govern a particular power, such as the political or the economic. In the twenty-fourth sense, it means the system of laws and institutions which govern a particular knowledge, such as the theoretical or the practical. In the twenty-fifth sense, it means the system of laws and institutions which govern a particular skill, such as the intellectual or the manual. In the twenty-sixth sense, it means the system of laws and institutions which govern a particular art, such as the liberal or the mechanical. In the twenty-seventh sense, it means the system of laws and institutions which govern a particular science, such as the natural or the social. In the twenty-eighth sense, it means the system of laws and institutions which govern a particular philosophy, such as the ancient or the modern. In the twenty-ninth sense, it means the system of laws and institutions which govern a particular religion, such as the monotheistic or the polytheistic. In the thirtieth sense, it means the system of laws and institutions which govern a particular culture, such as the Western or the Eastern. In the thirty-first sense, it means the system of laws and institutions which govern a particular civilization, such as the ancient or the modern. In the thirty-second sense, it means the system of laws and institutions which govern a particular society, such as the primitive or the advanced. In the thirty-third sense, it means the system of laws and institutions which govern a particular community, such as the rural or the urban. In the thirty-fourth sense, it means the system of laws and institutions which govern a particular group, such as the family or the nation. In the thirty-fifth sense, it means the system of laws and institutions which govern a particular individual, such as the citizen or the subject. In the thirty-sixth sense, it means the system of laws and institutions which govern a particular person, such as the king or the queen. In the thirty-seventh sense, it means the system of laws and institutions which govern a particular thing, such as the object or the subject. In the thirty-eighth sense, it means the system of laws and institutions which govern a particular action, such as the deed or the word. In the thirty-ninth sense, it means the system of laws and institutions which govern a particular feeling, such as the emotion or the passion. In the fortieth sense, it means the system of laws and institutions which govern a particular thought, such as the idea or the concept. In the forty-first sense, it means the system of laws and institutions which govern a particular knowledge, such as the wisdom or the ignorance. In the forty-second sense, it means the system of laws and institutions which govern a particular power, such as the strength or the weakness. In the forty-third sense, it means the system of laws and institutions which govern a particular beauty, such as the grace or the ugliness. In the forty-fourth sense, it means the system of laws and institutions which govern a particular truth, such as the reality or the unreality. In the forty-fifth sense, it means the system of laws and institutions which govern a particular good, such as the virtue or the vice. In the forty-sixth sense, it means the system of laws and institutions which govern a particular evil, such as the sin or the crime. In the forty-seventh sense, it means the system of laws and institutions which govern a particular beauty, such as the charm or the repulsion. In the forty-eighth sense, it means the system of laws and institutions which govern a particular truth, such as the fact or the fiction. In the forty-ninth sense, it means the system of laws and institutions which govern a particular good, such as the pleasure or the pain. In the fiftieth sense, it means the system of laws and institutions which govern a particular evil, such as the happiness or the misery. In the fifty-first sense, it means the system of laws and institutions which govern a particular beauty, such as the love or the hate. In the fifty-second sense, it means the system of laws and institutions which govern a particular truth, such as the life or the death. In the fifty-third sense, it means the system of laws and institutions which govern a particular good, such as the health or the sickness. In the fifty-fourth sense, it means the system of laws and institutions which govern a particular evil, such as the wealth or the poverty. In the fifty-fifth sense, it means the system of laws and institutions which govern a particular beauty, such as the youth or the old age. In the fifty-sixth sense, it means the system of laws and institutions which govern a particular truth, such as the male or the female. In the fifty-seventh sense, it means the system of laws and institutions which govern a particular good, such as the white or the black. In the fifty-eighth sense, it means the system of laws and institutions which govern a particular evil, such as the young or the old. In the fifty-ninth sense, it means the system of laws and institutions which govern a particular beauty, such as the rich or the poor. In the sixtieth sense, it means the system of laws and institutions which govern a particular truth, such as the Conservative or the Liberal. 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measure of his efficiency as a commander.

Where a fiscal officer has been appointed, he is generally assisted by a small civilian clerical staff and one or two enlisted assistants. He is charged with the direct responsibility for the maintenance of the accounting records necessary to reflect the use and status of the appropriated funds made available to his commander. In addition, the following duties are often assigned to the fiscal officer:

1. Prepares accounting reports for local management and higher authority.
2. Develops accounting procedures to implement financial policies and directives promulgated by higher authority.
3. Conducts cost accounting studies.
4. Supervises budgetary procedures, and devises methods for use of section heads in furnishing budgeting information.
5. Analyzes and evaluates budget estimates and coordinates presentation thereof to the commander.
6. Makes recommendations regarding budget variances and re-allocation of funds.

The station must, of course, tailor its fiscal section to meet local needs. These will depend not only on the amount of work to be performed but also upon the abilities and personalities of the individuals involved. For example, a relatively young fiscal officer might be extremely well-qualified to account for and report on the status of appropriated funds and yet not be sufficiently experienced to make sound plans and recommendations for the efficient utilization of funds. In this

case the making of these plans and recommendations should properly be delegated as the responsibility of another member of the commander's staff, be determined by the fiscal advisory committee, or be decided by the commander. In another case a fiscal officer with little or no technical accounting knowledge should, where possible, be complemented by an assistant with a strong fiscal accounting background.

Just as there is at Headquarters Marine Corps a Budget Advisory Committee, at most large stations there will be a committee with somewhat similar functions. It may be called the "Fiscal Steering Committee," "Committee for the Control over Appropriated Funds," or simply "The Budget Committee." Regardless of its title this group is usually appointed to assist and supervise the fiscal officer and to give advice to the commanding officer regarding his fiscal responsibilities.

There is a large number of people who are interested in the study of the history of the United States. They are interested in the history of the United States because they want to know more about the country they live in. They want to know more about the people who lived in the United States and the things that happened in the United States. They want to know more about the United States because they want to know more about the world they live in.

CHAPTER III

THE FISCAL CYCLE AT THE FIELD ACTIVITY

Requesting Funds

Annually, about March 15th, the commanding officer of a field activity receives instructions from the Commandant of the Marine Corps concerning the submission of budget estimates. These instructions contain policies on personnel ceilings, anticipated work-loads, additions or modifications to the mission of the station, justification requirements, and general guidance for the preparation of the budget estimates. During the following six weeks the commanding officer must develop his estimates of funds required for the next two fiscal years based on these guide lines. These estimates, together with a report of the actual obligations incurred over the preceding nine months and the expected obligations for the following three months, are assembled and submitted to Headquarters Marine Corps on April 30th.

The task of preparing this report is turned over to the fiscal officer. Detailed instructions for the preparations of these estimates are to be found in current Navy and Marine Corps publications and directives. The fiscal officer first disseminates the guidance information received from the Commandant of the Marine Corps to the subordinate section heads. He requests

the budget estimates, assists the sections in their preparation, and checks the basis and accuracy of their work. He then must coordinate and consolidate this information into a station estimate. The estimate for the next fiscal year must indicate the request for funds by quarters. The report of actual obligations incurred for the current year is taken directly from the fiscal officer's records. When the station estimate is assembled, it should be reviewed by the fiscal advisory committee before it is submitted to the commanding officer. This experienced group may approve of it as it is or it may make recommendations for revision.

This report, when received by the Commandant, is used to justify fund requests to higher authority and as a basis for actual fund allocations to the field activity.

Receipt of Funds

When the budget estimates are received at Headquarters, they are reviewed and, after allowing for many other considerations, are consolidated into the annual Marine Corps estimate. The estimate then travels up the administrative chain of command. At each step on the way it is carefully reviewed and consolidated with the estimates of other elements of the government. Often modifications are made necessary due to changes in plans or the desire for more economy. Finally the annual Marine Corps estimate, as a part of the estimated cost of operation of the entire government, reaches Congress. There, after long and detailed

hearings, it is approved and emerges as the appropriation act. When the President signs the act into public law, he establishes the statutory authority necessary to make the funds available for use. This law is usually written into the books during June immediately preceding the fiscal year for which the funds have been appropriated. (Refer to Figure 2 on page 7).

Administrative authority, as well as statutory authority, must be obtained before the funds can be utilized. In this regard, the Treasury Department, Headquarters Marine Corps, the Navy Comptroller, and the Bureau of the Budget become involved in the legal procedures of issuing appropriation warrants and requesting and receiving apportionments and allocations of funds. These proceedings have no particular meaning to the man in the field and will not be further discussed in this paper. Through the process described very briefly above, the Commandant receives authority to utilize appropriated funds.

The Commandant, in turn, through authorized representatives known as "project managers," makes funds available to the field commanders by the issuance of allotment authorizations. This authorization relates to a specified purpose of an appropriation and is subject to very strict procedural, accounting, and reporting requirements. Figure 3 on page 15 shows a sample allotment authorization. The addressee on this form, known as a primary allottee, is the commander of the station receiving the allotment; he is responsible for its administration. The authorization originates with the staff member delegated by the

SAMPLE

15

SAMPLE

TO Commandant, Marine Corps Schools, Quantico, Virginia		ALLOTMENT NO. 11005	
FROM a/ Quartermaster General of the Marine Corps (Code CHC) Washington 25, D. C.		TYPE OF ALLOTMENT AUTHORIZATION <input checked="" type="checkbox"/> NEW <input type="checkbox"/> AMENDMENT NO. _____	
TITLE OF APPROPRIATION AND SUBHEAD MCT&F 1955, Training and Operations		APPROPRIATION & SUBHEAD SYMBOL 1751106.11	
PURPOSE OF ALLOTMENT (Name of Project) a/ Station Operation and Maintenance		QUARTERLY AUTHORIZATION	AMOUNT OF ALLOTMENT
		(1)	660,400.00 b/
OFFICE PERFORMING ALLOTMENT ACCOUNTING (This data must be provided)		(2)	400,100.00 b/
NAME AND MAILING ADDRESS Commandant, Marine Corps Schools, Quantico, Virginia	ACCOUNTING NO. 264	(3)	550,374.00 b/
		(4)	174,831.00 b/
AUTHORIZATION Authority is hereby granted to incur obligations in an amount not to exceed the authority contained herein. When allotments are granted for more than one quarter, amounts authorized for other than the current quarter WILL NOT be taken up until the first day of applicable quarter.		TOTAL	1,785,705.00
REFERENCE		PREVIOUS TOTAL	-0-
		NEW TOTAL	1,785,705.00
		DECREASES ARE SHOWN BY "()"	

REMARKS

a/ The Quartermaster General of the Marine Corps has been designated as the officer responsible for the issuance of allotments for this particular purpose.

b/ The amounts received might well be the same as the commander submitted on 30 April to Headquarters in his budget estimates (assuming that his justifications were accepted). Should there be some change, the project manager would probably make a note in this space as to the reason for the change. (For example, "Lesser amount resulted from a five per cent overall decrease ordered in civilian personnel.").

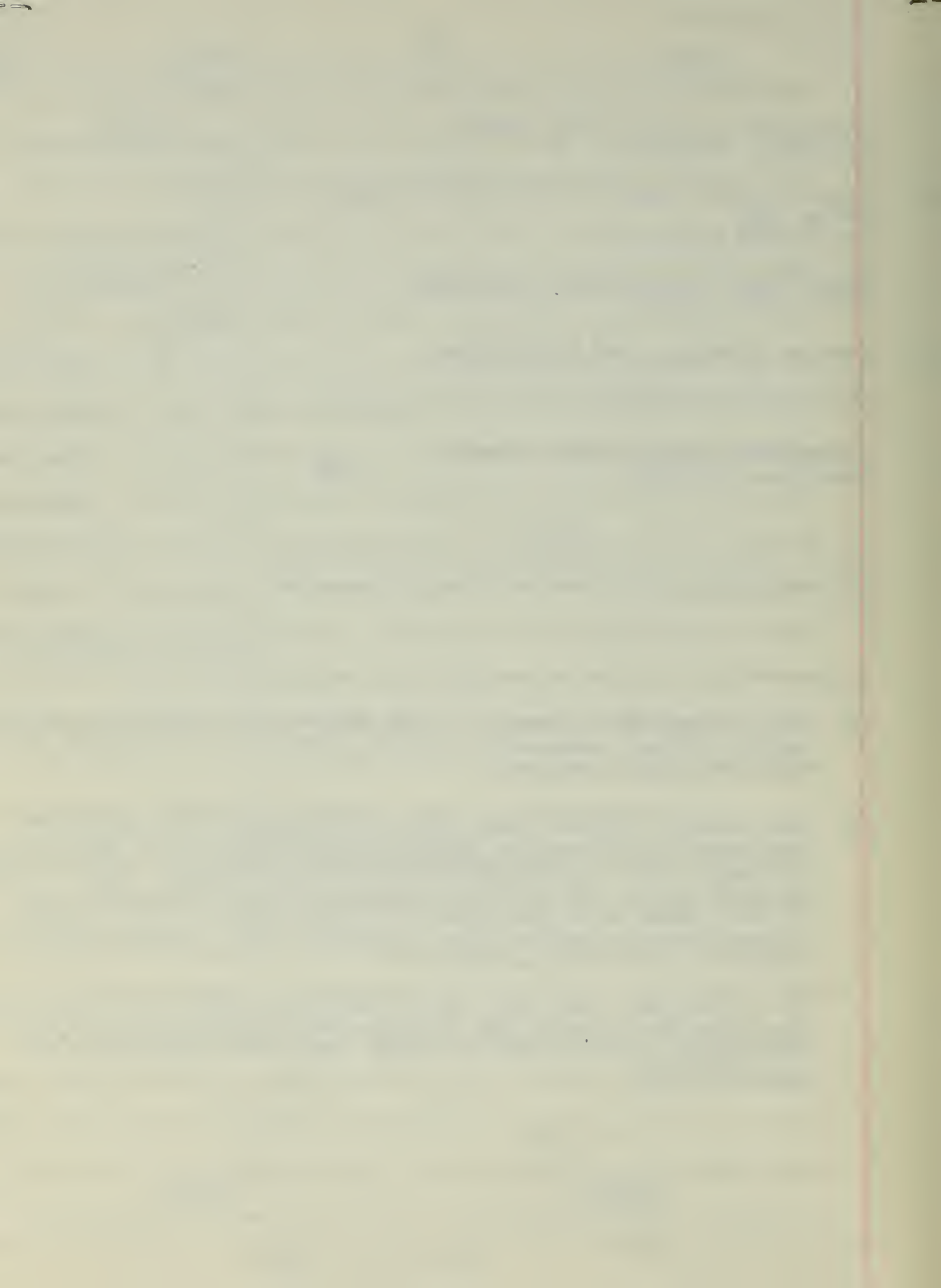
It is desirable that the initial allotment authorizations include the total for each of the four quarters of the fiscal year. Unforeseen circumstances may make such action impossible or impracticable.

SAMPLE

SAMPLE

DATE 20 June 1954	APPROVED /s/ W. P. T. Hill W. P. T. HILL
--------------------------	--

Figure 3



Commandant as the project manager for that appropriation sub-head. The initial allotment authorization will usually include the total funds allowed for each of the four quarters of the fiscal year. In the event that it does not, additional authorizations will be received during the year. The initial authorization is generally received some ten to fifteen days prior to the beginning of the fiscal year.

A commander will receive an allotment authorization for each project under the appropriation sub-heads for which he has the need for funds. For example, if there is a public housing project on the post which is the responsibility of the U. S. Navy, Bureau of Yards and Docks, to operate, the commander will receive an allotment authorization from that Bureau to pay the operation and maintenance of that project.

There are presently twenty-two appropriations under which the Navy Department receives funds. Of these, five are Marine Corps appropriations but the field commands are primarily concerned with the administration of one, "Marine Corps Troops and Facilities." This is the only Marine appropriation for which field commanders must submit annual budget estimates and administer. It includes: the maintenance and operation of equipment and facilities, procurement of military personnel, training and education of regular and reserve personnel, welfare and recreation, procurement and manufacture of military supplies and equipment, transportation of things, industrial mobilization, and departmental and miscellaneous expenses. The other four Marine Corps appropriations are Military Personnel, Marine Corps;

Military Personnel, Marine Corps Reserve; Marine Corps Procurement; and Marine Corps Stock Fund. These, while they obviously affect the field, are administered from the Headquarters level.

The number of allotments that individual field commanders will receive and be responsible to administer will vary greatly depending upon the mission and facilities of their command.

Fund Administration

Before the commander receives his allotment authorizations, he must make two very important decisions. The first of these is to determine what amounts are to be made available to the subordinate sections of his command. Ordinarily this should be decided on the basis of the estimates that have been previously submitted by the section heads. These, it should be assumed, have been carefully prepared by the operating people and reviewed by the fiscal officer and the fiscal advisory committee. The section heads should be expected to be able to operate within their own estimates. This, of course, assumes that in the estimating process all necessary items have been budgeted for. If this is not the case, the commanding officer must decide where changes will be made.

The second decision involves the method for the control of funds to be utilized. The importance of proper control is emphasized by law requiring that persons who over-obligate or over-expend appropriated funds shall be immediately reported through channels to the President and Congress. This report is to contain all pertinent facts and a statement of the action

taken. Basically there are three alternatives for control: a strict central control system, control by suballotment, and control through planning estimates.

Under a strict central control system, the commander, or fiscal officer where one has been appointed, takes upon himself the responsibility of physically executing every document which will obligate funds for which he is responsible. In a small command perhaps this would be feasible. It is certainly not desirable, however, for the larger commands for it fails to allow the subordinates, who may themselves be quite responsible senior officers, any degree of freedom in obligating funds or needed experience in fiscal matters.

Control by suballotment involves the issuance to a subordinate of an allotment authorization, Figure 3, page 15, by a commander who is a primary allottee. If the subordinate receiving the suballotment is within the activity, then he and the commander become jointly responsible to see that there is no over-obligation or over-expenditure. If the subordinate is outside the activity, the commander is relieved of, and the subordinate solely responsible for, its proper administration. The holder of a suballotment is responsible for the same strict accounting and reporting procedures as a primary allottee. This is the main disadvantage of control by suballotment. This method does, however, give the subordinate a much better opportunity to make his own plans for the best utilization of funds.

The third method, control through planning estimates, may be called a compromise of the other two. In this instance the

commander issues a letter of credit to his subordinate. This does not transfer funds but rather directs the subordinate to assist in the administration of specified funds. The commander remains solely responsible to higher authority for the proper administration of the entire allotment. He directs the subordinate to keep within the planned estimate amount; should the subordinate over-obligate or over-expend it is simply a local matter between the two. This method of control allows the subordinate freedom to manage his funds as he desires within the limits of the planning estimate and within the purpose of the allotment.

The letter from a commander to a subordinate constituting a planning estimate will usually contain the following information:

1. The specified amount of funds and the dates involved.
2. A statement that official accounting will be performed by the commander's staff: that the subordinate should maintain only records needed for his own control.
3. A statement that this is not an official suballotment of funds.
4. A caution regarding over-obligation and over-expenditure.
5. Reference to official regulations and directives.
6. A request that copies of all obligating and expenditure documents be forwarded to the command fiscal office.
7. The purpose of the allotment and a statement that the use of funds must be kept within that purpose.

8. The specific accounting classification data and a reminder that it must be shown on all fiscal documents.

9. A statement of reports that will be furnished the subordinate.

10. Any limitation on the use of funds that the commander may wish to stipulate.

The three alternative methods for the control of funds each have their place in particular situations. Control through planning estimates, however, seems, generally speaking, to the author to offer greater flexibility, more breadth of responsibility, and better opportunities for personnel to gain much needed fiscal experience, than the other two.

Regardless of the type of control that the commander plans to utilize, it will be desirable to set aside a portion of his allotted funds as a reserve for contingencies.

Accounting and Reporting

Having decided upon the method of administrative control to be utilized, the commander must now assure himself that a system is established that will adequately provide for the proper accounting for these appropriated funds. The field activity is responsible for the official accounting for each allotment it has been authorized including funds made available to the activity from federal agencies other than the Marine Corps (for example, U. S. Navy, Bureau of Medicine and Surgery funds for the operation of the station dispensary).

Headquarters Marine Corps has prescribed detailed accounting instructions which have been developed to provide the controls required by law. These instructions also require that all activities maintain records uniformly to facilitate the preparation of standard fiscal reports. In addition, commanders will find that good fiscal accounting records will be of great assistance in the preparation of budget estimates for future years.

The accounting system established at the field activity must provide for the following:

1. The recording of receipts and expenditures in accordance with prescribed regulations.
2. Positive checks to insure against over-obligations and over-expenditures of allotments without undue interference with the processing of authorized requisitions.
3. Assurance that allotted funds are being utilized for legal expenditures.
4. Accurate and up-to-date fiscal information for the commander, his subordinates, and higher authority.
5. Budgetary control over funds in accordance with the commander's fiscal plans.

The fiscal officer has the official accounting responsibility for each allotment that his command has been authorized. He must know at all times the amount of funds that has been committed, obligated, and actually expended. An illustration follows of a very elementary case of allotment accounting involving control through planning estimates. Shortly after an allotment authorization is received at a field activity the subordinate

The following table shows the results of the survey conducted in 1964. The table is divided into two main sections: 'Total' and 'By Region'. The 'Total' section shows the results for the entire sample, while the 'By Region' section shows the results for each of the four regions: North, South, East, and West. The table is organized into columns for the following variables: 'Total', 'North', 'South', 'East', and 'West'. The rows represent the following variables: 'Total', 'North', 'South', 'East', and 'West'. The table is organized into columns for the following variables: 'Total', 'North', 'South', 'East', and 'West'. The rows represent the following variables: 'Total', 'North', 'South', 'East', and 'West'.

1. The results of the survey are as follows:

2. The results of the survey are as follows:

3. The results of the survey are as follows:

4. The results of the survey are as follows:

5. The results of the survey are as follows:

6. The results of the survey are as follows:

7. The results of the survey are as follows:

8. The results of the survey are as follows:

9. The results of the survey are as follows:

commanders are advised by planning estimate letter of the funds that are available for their utilization. From the fiscal officer's viewpoint, these funds are committed and, barring some unforeseen circumstance where it might be necessary to withdraw them, they are considered to be under the control of the subordinates. When the subordinate needs materials, he prepares a requisition and forwards it to the local supply depot via the command's fiscal office. At the fiscal office it is checked to see that the total amount is within the planning estimate balance of that sub-activity and that the material requested is authorized within the purpose of the allotment. If both these requirements are met, the fiscal officer reduces the planning estimate balance of that unit by the amount of the requisition, files a copy of it as an obligation, and forwards the original and the remaining copies to the supply depot. The supply officer then issues the materials from stock, returning a copy of the requisition marked "Issued" to the fiscal office. This copy becomes the expenditure document. It will be noted that in this particular instance the materials concerned were "Marine Corps Stock Fund" items and therefore no public voucher was issued and consequently no actual payment was made. This situation merely involves the transfer of funds at Headquarters Marine Corps from the Marine Corps Troops and Facilities appropriation to the Marine Corps Stock Fund.

If the requisition had been for materials that had to be purchased locally from a commercial enterprise, a somewhat different routine would be effected. In this case after the requisition is processed in the fiscal office and forwarded to the

[illegible]

supply depot, the purchasing officer issues a purchase order to a local business firm carrying the materials. When the materials are received, a public voucher is drawn in favor of that firm and the disbursing officer pays for the materials by check. A copy of this public voucher marked "Paid" is sent to the fiscal office and is used as the expenditure document.

Through the processes described above, the fiscal officer is kept up-to-date on the conditions of each of his allotments: he knows the current commitments, obligations, expenditures, and the balances remaining in each of these categories. With this information he is able to prevent over-obligations and over-expenditures, prepared to submit fiscal reports to local management and higher authority, and in position to make recommendations for revisions in the fiscal plan when conditions suggest the need for change.

Field activities are required to submit separate reports monthly to Headquarters Marine Corps on the status of each allotment. These reports show the total funds allotted to the activity, the amounts obligated to date and the unobligated balance.

Fiscal accounting is a complicated and very technical subject involving not only the allotments themselves but also job orders, utilities, payrolls, manufacturing, transfers, and other equally detailed problems. The fiscal officer and his staff must be a highly qualified group capable of shouldering this important responsibility.

CHAPTER IV

SUMMARY

The introduction of the performance-type budget to the Marine Corps in the past few years, resulting in the decentralization of fiscal authority and responsibility, has given the field commander a new challenge. Today he is judged, among other things, on how efficiently he performs the comptrollership functions of estimating, planning, administering, and accounting for the funds he has been allotted. With this decentralized control the commander must take a more direct and personal interest in the budgeting and spending within his command. Much better utilization of funds should develop.

There is, however, a fairly widespread lack of knowledge in this area of comptrollership. Admittedly much of the subject matter is new to us and a great deal has been done to indoctrinate those most directly concerned but as yet the man in the field, in many cases, is quite unaware of the problems connected with fiscal policy.

If the Marine Corps is to get maximum benefit from its appropriations, a fairly extensive amount of schooling must be accomplished. Personnel must discard the long-prevalent ideas that there are limitless supplies and monies available. They must realize that waste in one area will necessarily result in

sacrifice in another. For subordinate commanders there should be instruction in proper budgeting techniques and, for that matter, in the broader aspects of the entire appropriation system.

condition in which, the same-day business is made
 the first-class in some manner, and, for that
 matter, in the present aspect of the whole situation
 system.

APPENDIX

GLOSSARY OF TERMS USED*

Allotment. An authorization on NavExos Form 2674 by authorized officials of Headquarters Marine Corps (and/or Bureaus and offices of the Navy) granting funds to another office, organization, or station, for specified purpose(s) pursuant to an appropriation; provided that the granting of such funds must be rigidly formal and subject to certain specific procedural, book-keeping, and reporting requirements.

Allottee (Primary allottee). The commander of an activity or organization to which an allotment is issued. He is responsible for the administration of the allotment.

Allotter. The one who issues an allotment.

Appropriated Funds. Public funds that have been authorized for obligation and expenditure by an appropriation act.

Appropriation. An authorization by an Act of Congress to incur obligations for specified purposes and to make payments therefor out of the Treasury.

Expenditure. In appropriation and fund accounting the term "expenditures" commonly means "disbursement less expenditure refunds".

Field command. For the purpose of accounting instructions, any Marine Corps organization or activity other than Headquarters Marine Corps.

Fiscal matters (fiscal affairs). Those actions pertaining to planning for, accounting for, and reporting of the use and status of appropriated funds made available to a commander.

Fiscal officer. An officer charged with the direct responsibility for maintaining the records necessary to reflect the use and status of appropriated funds made available administratively to a commander by allotment, suballotment or by any authorized means whatsoever.

Fiscal year. Twelve month period selected for accounting purposes. (The fiscal year for most agencies of the government begins on the first day of July and ends on the thirtieth day of June of the following calendar year). The fiscal year is designated by the calendar year in which it ends; i.e., the fiscal year 1955 is the year beginning 1 July 1954 and ending 30 June 1955.

Marine Corps Stock Fund Account. (1) An account or entity inclusive of assets (i.e., Cash, Accounts Receivable & Inventories), liabilities (i.e., Accounts Payable & Accrued expenses) and government ownership, reflecting transaction trends of a revolving fund operation in the management of designated categories of inventories controlled by a decentralized self-balancing accounting system. (2) Colloquially - that material financed by the Stock Fund.

Obligations. Amounts of orders placed, contracts awarded, services rendered, and similar transactions during a given period requiring future payment of money.

Overobligations. The incurring of obligations totaling in excess of funds received by any allotment, suballotment, or other authorized means.

Planning estimate. A designation of a target amount as an approximation of the cost of the work specified in the planning letter for purposes of providing a guide concerning the scope of the work.

Suballotment. In the Department of Defense an allotment made by the holder of a primary allotment or of another sub-allotment, to another agency which is thereby made accountable to it in the same manner as under a primary allotment.

Section 2000 of the Internal Revenue Code (26 U.S.C. 2000) provides that the estate tax credit for tax on gifts paid by the decedent is limited to the amount of the gift tax paid by the donor. The credit is calculated by multiplying the amount of the gift tax paid by the donor by the ratio of the value of the property included in the decedent's estate to the value of the property included in the donor's estate.

Section 2001 of the Internal Revenue Code (26 U.S.C. 2001) provides that the estate tax credit for tax on gifts paid by the decedent is limited to the amount of the gift tax paid by the donor. The credit is calculated by multiplying the amount of the gift tax paid by the donor by the ratio of the value of the property included in the decedent's estate to the value of the property included in the donor's estate.

Section 2002 of the Internal Revenue Code (26 U.S.C. 2002) provides that the estate tax credit for tax on gifts paid by the decedent is limited to the amount of the gift tax paid by the donor. The credit is calculated by multiplying the amount of the gift tax paid by the donor by the ratio of the value of the property included in the decedent's estate to the value of the property included in the donor's estate.

Section 2003 of the Internal Revenue Code (26 U.S.C. 2003) provides that the estate tax credit for tax on gifts paid by the decedent is limited to the amount of the gift tax paid by the donor. The credit is calculated by multiplying the amount of the gift tax paid by the donor by the ratio of the value of the property included in the decedent's estate to the value of the property included in the donor's estate.

Section 2004 of the Internal Revenue Code (26 U.S.C. 2004) provides that the estate tax credit for tax on gifts paid by the decedent is limited to the amount of the gift tax paid by the donor. The credit is calculated by multiplying the amount of the gift tax paid by the donor by the ratio of the value of the property included in the decedent's estate to the value of the property included in the donor's estate.

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